DEFENSE LOGISTICS AGENCY

VADM Keith Lippert, SC, USN
Director, Defense Logistics Agency

Agenda

DLA Business Overview

- Performance Focus
  - Supply Availability
  - Backorders
  - Cost Recovery Rates
- Business Systems Modernization
- OIF Support
- DoD Supply Chain And Contractor Logistics Support
- DLA Initiatives
- Summary

The DLA Enterprise

FY02 Sales/Services: $21.5B

FY03 Sales/Services: $25B

Land:
Aviation:
Troop Support: $10.2B
Energy: $5.2B
Distribution: $2.2B
Other: $1.4B

Foreign Military Sales

- **Sales:** $719M
- **Shipments:** 580K
- **Supporting** 124 Nations

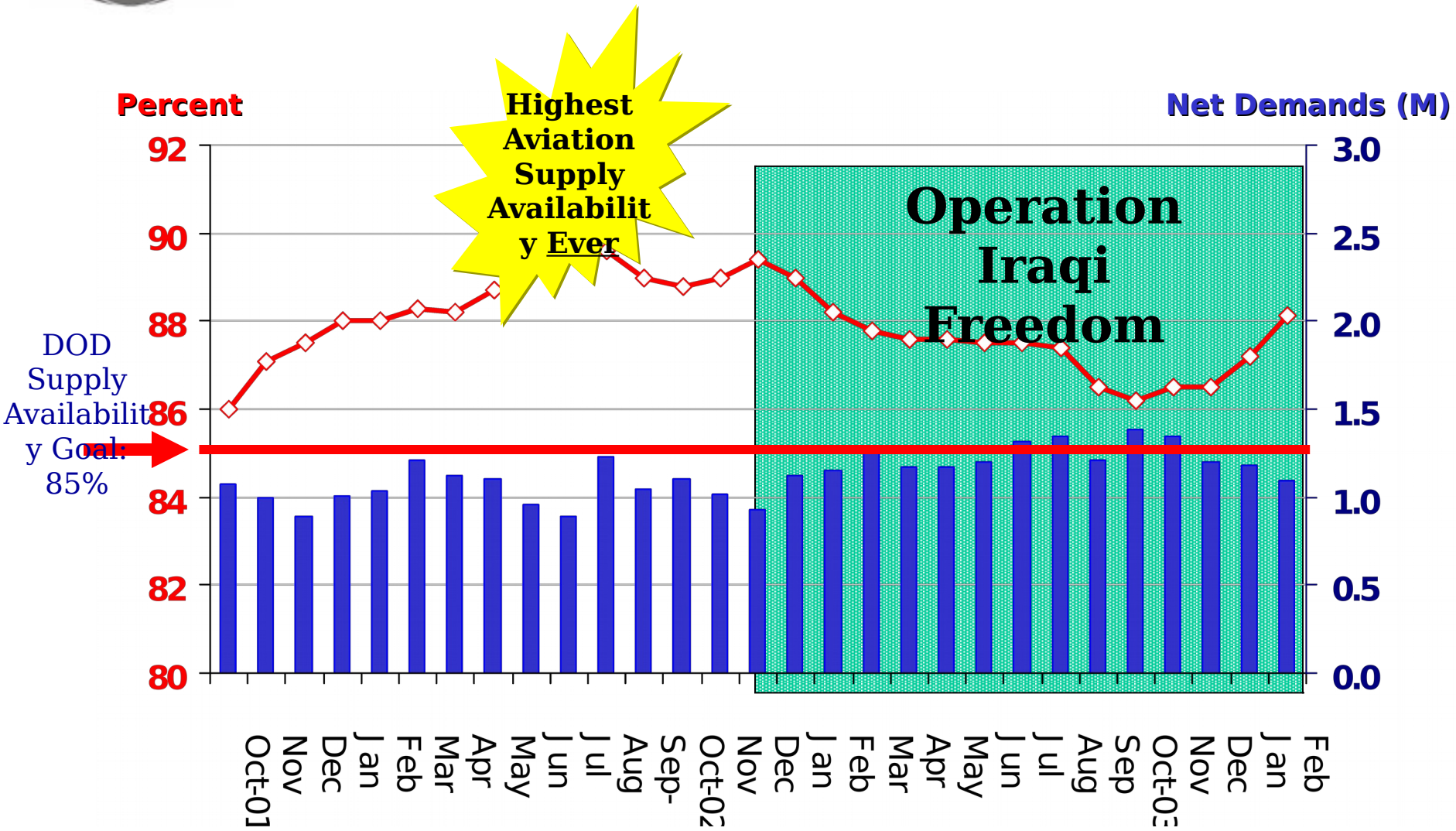
Scope of Business

- #6[illegible] ew York Li
- #2 in Top 50 Distribution Warehouse
- 4.6 Million NSNs
- 1312 Weapon Systems Supported
- 147.7M Net Barrels Fuel Sold (FY03)
- $12.5B Annual Reutilizations/Disposa
- 24.7M Annual Receipts & Issues
- 22 Distribution Depots
- 8,200 Contracts/Day
- 45,000 Requisitions/Day

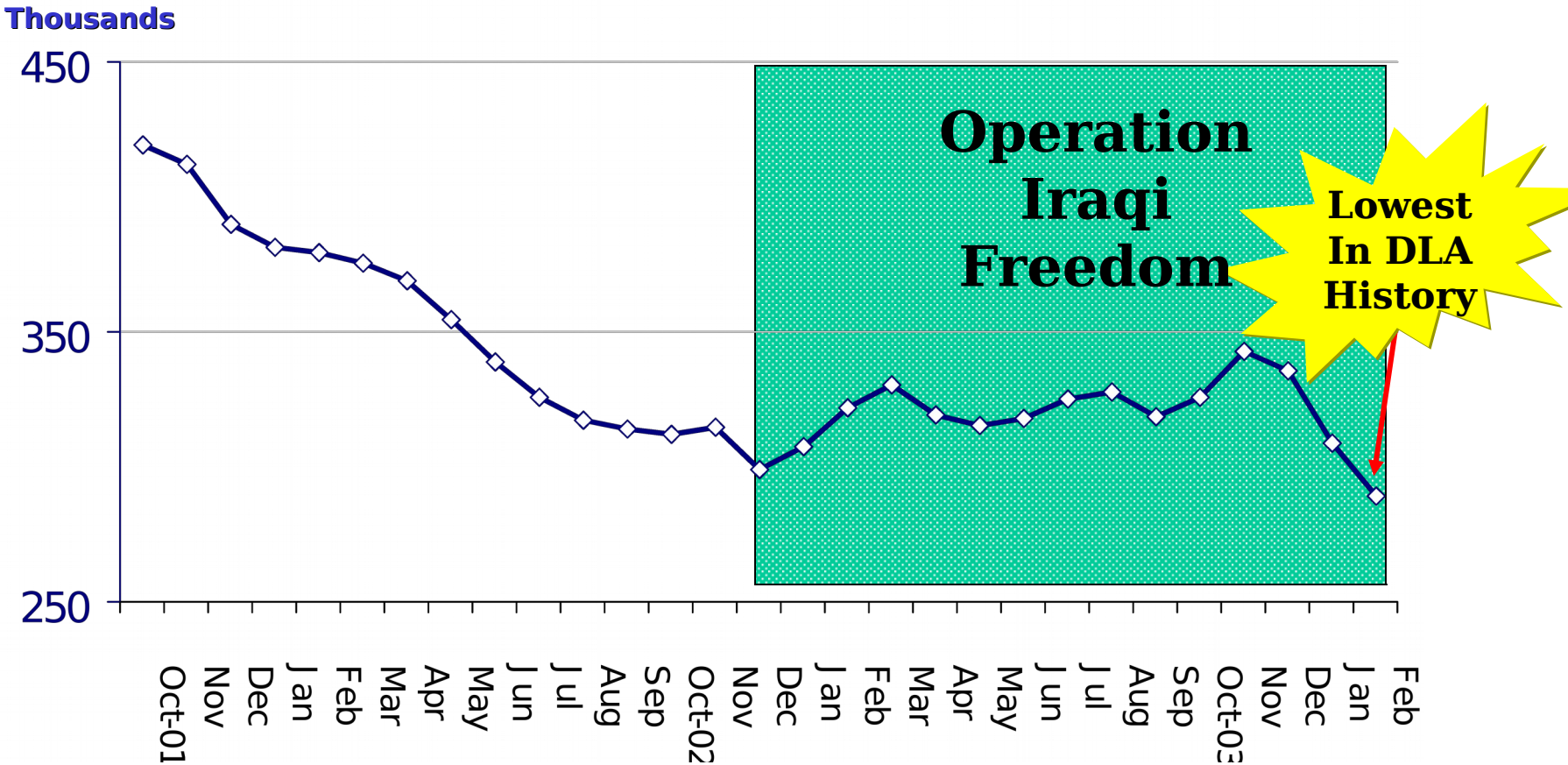
People

- 21,000 Civilians
- 488 Active Duty Military
- 618 Reserve Military
- Located in 48 States/28 Countries

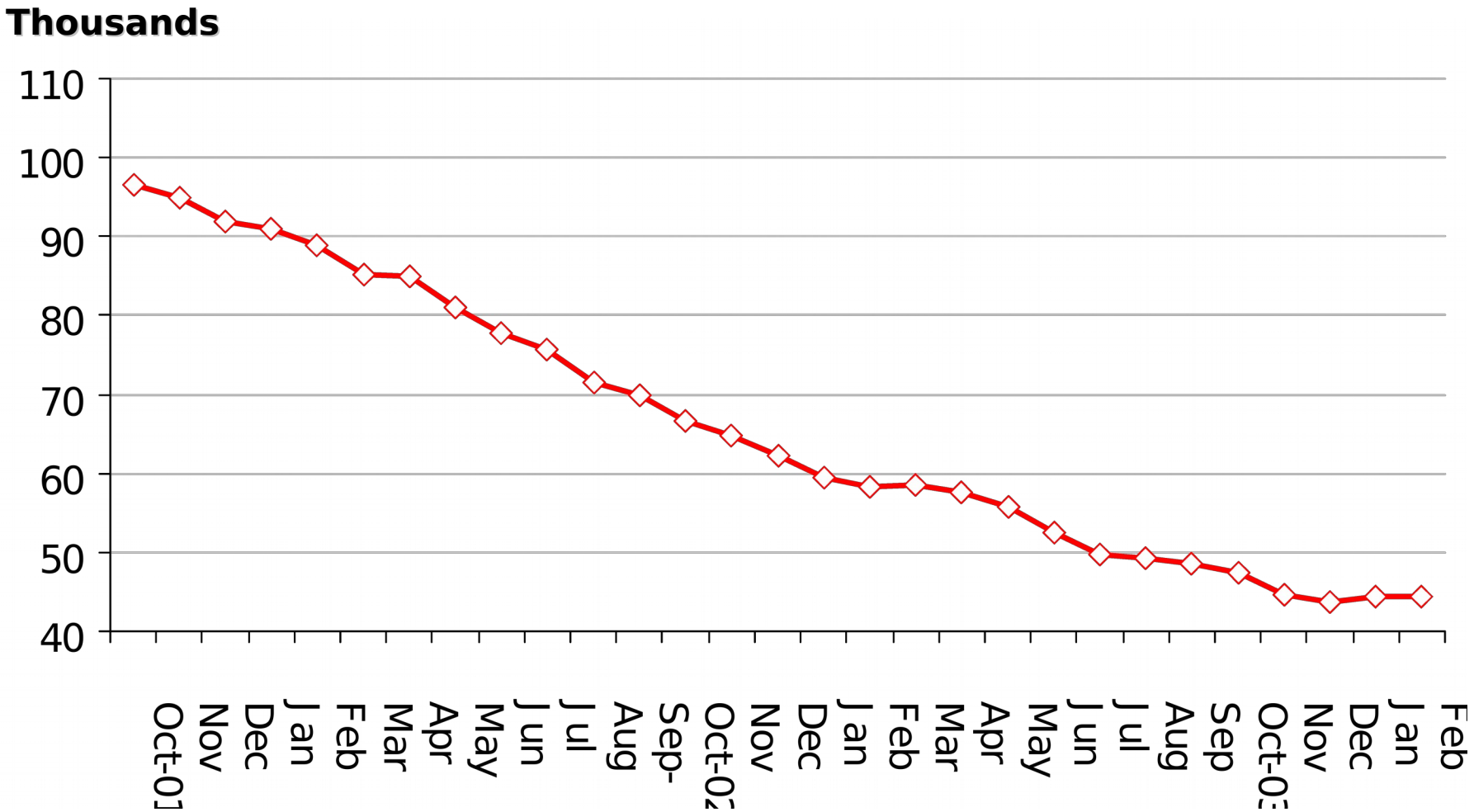
Supply Availability Hardware Total



Backorders - Hardware Total



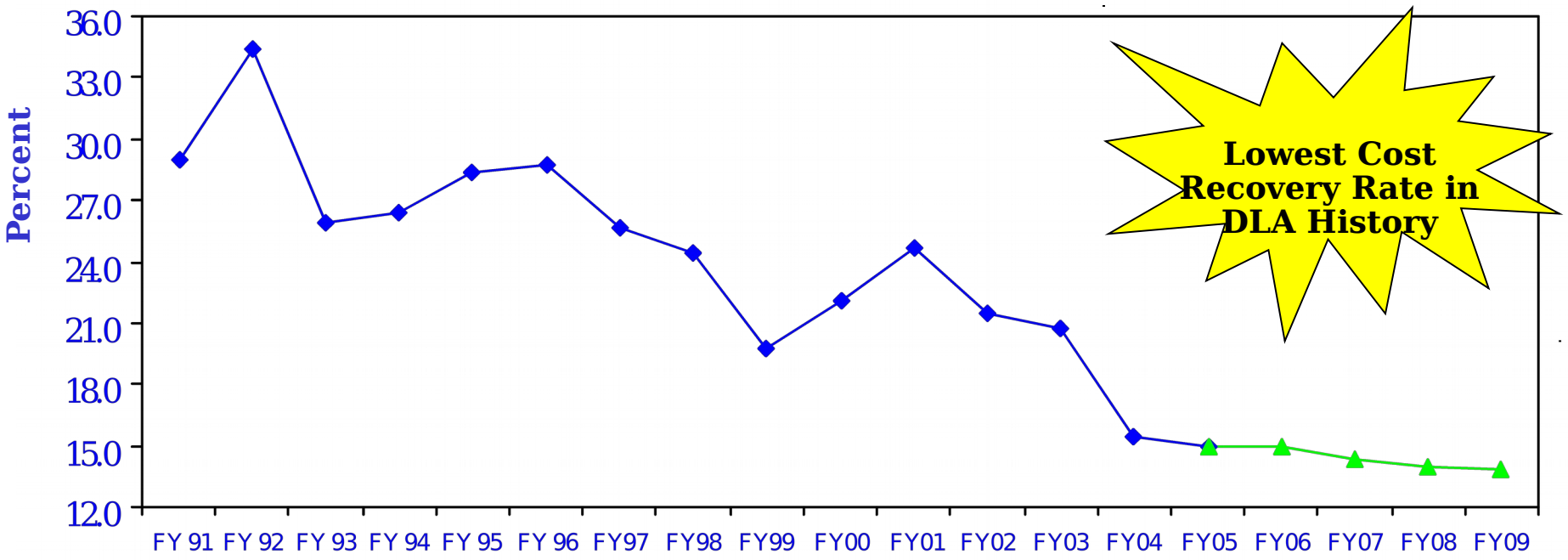
Backorders > 180 Days Hardware



Cost Recovery Rates Over Time

CRR %

(Operating Costs as a Percentage of Total Sales)



Savings Returned to Warfighter

Business Systems Modernization

- Incorporating Commercial and Best Practices Via Commercial off-the-Shelf (COTS) Based Tools
- Replacing 30-year old Legacy Information System with State of the Art Technologies
- Teamed with Accenture … Within Budget
  - Release 1 Deployed In Jul 02
- Major Reengineering Effort … From Functionally Stove-Piped Segments to Cross-Cutting Enterprise-Wide Processes

Projected FY 04-09 Savings = $360.6M

Business Systems Modernization

- **Release 1 "WENT LIVE" 31 Jul 2002**
  - **End-To-End Material Management, Financials and Procurement**
  - **Hardware, Medical, Subsistence, Construction**
  - **Commercial Software-Best Practices**
- **Successfully Processing Materiel Requests**
- **Release 1.1:**
  - **BDUs, Subsistence (35K Line Items, $2.2B Value)**
  - **"Live" November 30, 2003**
- **Release 1.2:**
  - **Tents, Accessories, Flags (6K Line Items, $283M Value)**
  - **Go Live is Planned for March 04**

Operation IRAQI FREEDOM … Preparatory Actions

DLA executed Logistics Operations early because OSD supported extra OA

- $924M Lean Forward Investment
- Initially, $18M material forward positioned

iggest Lessons Learne

- OEF triggered surge, readied wholesale system
- DLA involved early in wartime planning process by initiating logistics outreach; paid big dividends in early sustainment

Operation IRAQI FREEDOM
DLA Support Plan

- Embedded with War-Fighter **- Kuwait, Bahrain, Qatar, Jordan, Afghanistan, Iraq, Turkey & Israel**
  - COCOMs: **JCS, CENTCOM,TRANSCOM, NORTHCOM, JFCOM & EUCOM**
- Forward Positioned Construction items **in Bahrain; optimized Surface Lift/avoided 1,000 C-17 sorties**
- Visited Key Customers CONUS, OCONUS
- Actively engaged - **VTCs, conferences**

Sustaining 4 Operations Concurrently
NOBLE EAGLE (Home Land Defense), OEF (Afghanistan), Horn of Africa (CJTF), Bosnia-Kosovo ... Including Disaster

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DLA Logistics Operations in OIF:

- **Issued 15M gals of Fuel daily – Florida's use in a day**
- **Deployed: over 220 Personnel**
- **Sold $424.4M of MREs…shipped 5.1M boxes …*never ran out***
- **Planned Thanksgiving & Christmas meals …$5.6M; positioned Religious Meals, Koshers/Halals …$2.5M**
- **Food for 35 Dining Facilities: $800K/day …in Feb 04: $2M/day**

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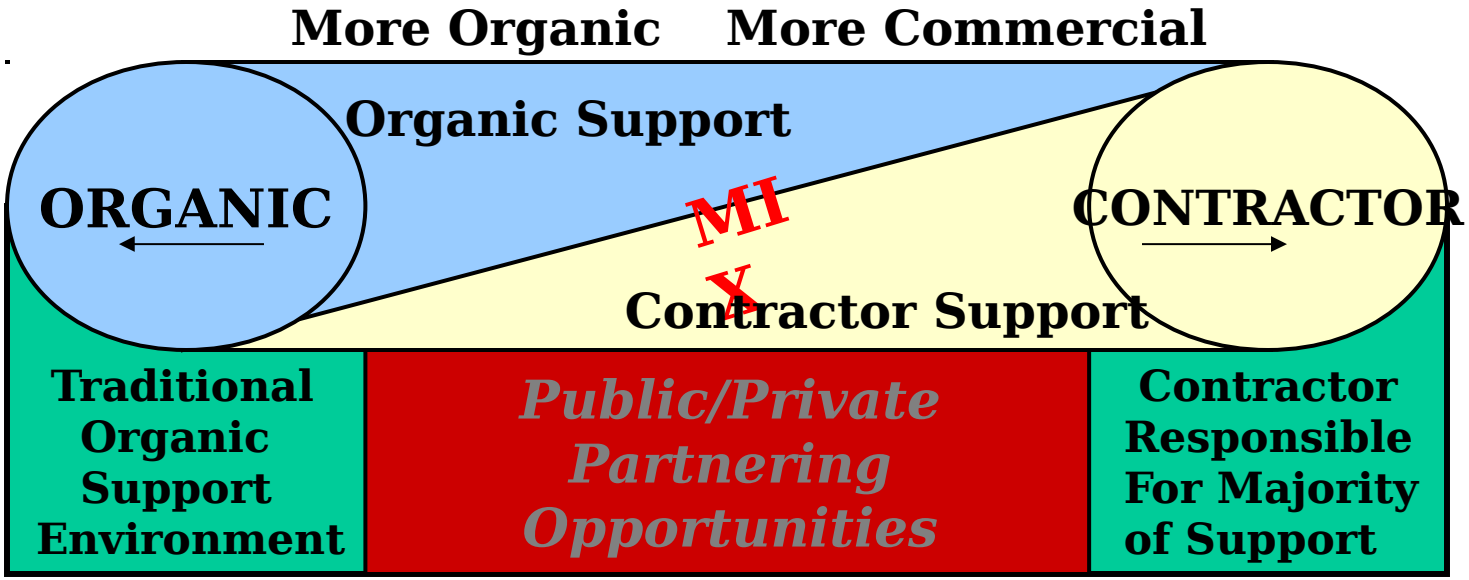
- **Issued Land, Sea, & Aviation spare parts … totaling $221.4M**
- **RFID tags written…grew from 500 to over 5000 per/month**
- **Stocked over 3000 containers of Construction Material forward in Bahrain – valued at $30M**
- **Depot Ops … building 4500 463L pallets, packing 500 containers per month**
- **Surged JSLIST, desert uniforms, and SAPI production … contract values over $1.3B and climbing… sales to date $756M**

Demand spiked…50-400% for Clothing, Vehicle Parts, Food, Lumber, JSLIST, Medical ; OIF Sustainment and Reset Investment

Lessons Learned

1. **OEF operations in Afghanistan…shaped OIF**
   - **Readied Forces…Enabled Early Sustainment Flow**
2. **More Collaboration & Definition of Requirements**
3. **Adaptability…Fog & Friction w/o TPFD (Time-Phased Force Deployment), but, RFF (Request for Forces) process…allowed for a rolling start**
4. **Joint Theater Logistics Process "Evolving"**
   - **Needs standardization, integration across Services**
   - **Need close loop feedback system that provides visibility, consumption data, and requirements…to solve last tactical mile**
5. **Investments in Positioned/Forward Stocking …*priceless***

DoD Supply Chain & Contract Logistics Support



Examples:

- **Total System Support Responsibility (TSSR)**
- **Industry Partnering**
- **Service Level Agreements**
- **Performance-based Agile Logistics Support (PALS)**
- **Prime Vendor Support (PVS)**
- **Contractor Delivery System (CDS)**
- **Performance Plans**
- **MOU with Warfighter**

One Size Does Not Fit All

DLA Initiatives

- Performance Based Agreements
- Vendor Initiated Parts Replenishment
  - Wal-Mart/DLA Pilot
- Forward Stocking
- Defense Energy Support Center – Fuel To Iraqi Population
- Working The Last Tactical Mile
  - Distribution Process Owner Partnership
  - Deployment/Distribution Operations Center Partnership

Summary

- DLA Focused on the Warfighter
- Critical Combat Enabler … Light and Agile
- Improved warfighter support and reduced costs
  - 31.5% reduction in backorders and improved readiness (since Oct 01)
  - 51% decrease in cost recovery rates
  - $1.8B back to services FY 04-09
- Strong Support To OIF
- Early And Well Planned Forecasting Requirements Means Better Warfighter Support
- Superb Support At Low Cost Is The Key To Future Success

Back-up Slides

Operation IRAQI FREEDOM

rly Planning + Financial Strategy = Sustainment Succ

Fiscal Year 02 - $500M:

- Clothing/Textiles ($150M)
  - JSLIST ($164M)
- Subsistence ($73M)
- Aviation ($36M)
- Land and Sea ($29M)

Fiscal Year 03 - $424M:

- Medical Items ($21.4M)
- Tents ($21.4M)
- Construction ($31.5M)
- Cots ($4M)
- JSLIST ($77M)
- MREs ($250M)

ly & Close Collaboration with OSD and CENTCOM

Forward Stocking

- **Forward Stocking Tenets:**
  - **Reduce Strain on Strategic Air Transportation Assets**
  - **Bulk Items and Fast Movers**
  - **Reduce Transportation Costs**
  - **Reduce Logistics Response Time**
  - **Reduce Retail Inventories**
- **Forward Stocking Locations:**

CURRENT:
Germersheim, GE
Yokosuka, JA
Pearl Harbor, HI
Sigonella, Sicily

PROPOSED:
Guam
Korea
SWA

Distribution Process Owner

- **TRANSCOM Designated Distribution Process Owner By SECDEF Summer '03**
- **Charter In-Progress, Close To Completion**
- **TRANSCOM To "Supervise Execution Of The Strategic Distribution System" On Behalf Of The SECDEF**
- **“Coordinate With Military Services, Combatant Commands, Joint Chiefs Of Staff, Joint Staff, SECDEF, Defense Agencies, And DoD Field Activities To Carry DPO Responsibilities.”**

Distribution Process Owner Cont.

- **DPO Shall "Make Recommendations To The Defense Logistics Executive (USD AT&L) For Service-Related Equipment, Systems, Processes, And Resources That The DPO Does Not Otherwise Control."**
- **DLA Inputs To Charter Via USD AT&L**
- **DLA Membership On DPO Working Groups Mandated In Draft Directive**